



## STATE OF CALIFORNIA

BUSINESS, TRANSPORTATION AND HOUSING AGENCY  
**DEPARTMENT OF CORPORATIONS**  
California's Investment and Financing Authority

### NEWS RELEASE

**04-27**

**Arnold Schwarzenegger, Governor**

**William P. Wood, Commissioner**

**FOR IMMEDIATE RELEASE**

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### **Department of Corporations Wins \$19 Million Verdict In San Diego Investment Fraud Trial**

**SAN DIEGO**—San Diego County Superior Court Judge Ronald S. Prager ruled today in favor of the California Department of Corporations (DOC) civil lawsuit filed against Robert N. Shearburn and the companies he controlled in a massive investment fraud scheme that was aimed at senior citizens. The primary sales agent, Robert N. Shearburn, owner of Innovative Financial Services, Inc. was charged with defrauding 221 investors of more than \$14.5 million. The judge ordered Shearburn to pay \$14.5 million in restitution to his victims and \$4.9 million in penalties, for a total of \$19 million.

In addition, Judge Prager found Robert N. Shearburn's son, who worked alongside his father at the Arizona based company, in violation of 15 counts of securities law infractions. Robert L. Shearburn was ordered to pay \$75,000 in restitution to his victims in addition to \$37,500 in penalties.

The 221 investors purchased viaticals. A viatical, also referred to as a life settlement or senior settlement, is an investment in a life insurance policy whereby the original insured—usually elderly or terminally ill—sells their "death benefit" to a third party who then solicits investors to buy an interest in the same policy. The very nature of a viatical transaction, gambling on when someone will die, often leads to gross misrepresentations by the broker to potential investors, which constitutes fraud. The Shearburns were not licensed by the DOC to sell securities in California, such as viaticals.

San Diego resident Carmen J. Palmieri created the elaborate investment scheme. He is serving 30 years in state prison for his involvement in this scam. Palmieri used the Shearburn's as sales agents promoting fraudulent "death benefit" sales to seniors. Palmieri absconded with investment funds and instead purchased real estate for his own benefit in the San Diego area.

"The Department of Corporations is committed to investigating and prosecuting those who prey on seniors to the fullest extent of the law," said Corporations Commissioner William P. Wood. "I commend James Openshaw and Dan O'Donnell, the DOC's lead counsels for their exemplary work on this complex investment fraud lawsuit," added Wood.

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The Department of Corporations is California's Investment and Financing Authority, reporting to the Business, Transportation and Housing Agency and the Governor. The Department is responsible for the regulation, enforcement and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending and residential mortgage lending. For further information or to obtain a complaint form, see the Department's Web site at [www.corp.ca.gov](http://www.corp.ca.gov) or call 1-866-ASK-CORP (1-866-275-2677).

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